GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1610
ANSWERED ON:02.12.2005
BANKING NETWORK IN RURAL AREAS
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Will the Minister of FINANCE be pleased to state:

(a) whether commercial banking network in rural areas is handicapped by the fact that most banks branches are one man branches and lack of capacity to undertake development banking functions, which are essential to the success of a programme like Swarnjayanti Gram Swarozgar Yojana (SGSY) ;

(b) if so, the facts thereof ;

(c) whether there is a need to create National Micro Finance Equity Fund to cater to the needs of the poor ;

(d) if so, the policy framed by the Government in this regard; and

(e) the steps taken by the Union Government to provide financial help to self employment ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM)

(a)&(b) : There are no reports with the Government on commercial banking network being handicapped because of lack of capacity to undertake development banking functions,

(c)&(d) : Pursuant to the announcement in the Budget Speech for the year 2000-01, a Micro Finance Development Fund of Rs. 100 crore was created in NABARD. The fund was to support broadly the following activities: (a) training and exposure to self-help group (SHG) members, partner NGOs, banks and government agencies;

(b) providing start-up funds to micro finance institutions and meeting their initial operational deficits;

(c) meeting the cost of formation and nurturing of SHGs; (d) designing new delivery mechanisms; and (e) promoting research, action research, management information systems and dissemination of best practices in micro finance.

In the Budget Speech for the year 2005-06, the Union Finance Minister announced that the Micro Finance Development Fund has been redesignated as Micro Finance Development and Equity Fund and its corpus increased from Rs.100 crore to Rs.200 crore. The Fund is managed by a Board of representatives from NABARD, RBI, Commercial Banks and Professionals.

(e) : Government has introduced various poverty alleviation and employment generation programmes such as Swaranjayanti Gram Swarozgar Yojana (SGSY), Swaranjayanti Shahari Rozgar Yojana (SJSRY), Scheme for Liberation and Rehabilitation of Scavengers (SLRS), Prime Minister`s Rozgar Yojana (PMRY) which are being piloted through credit linkage with banks and subsidy allocations from different Ministries.